

THE ROLE OF HOUSING-RELATED GOVERNMENT-SPONSORED ENTITIES IN THE U.S. ECONOMY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Rhode Island (Mr. LANGEVIN) is recognized for 5 minutes.

Mr. LANGEVIN. Mr. Speaker, today I rise in response to Federal Reserve Chairman Alan Greenspan's recent remarks about the role of housing-related government-sponsored entities, otherwise known as GSEs, and our economy.

A day before Chairman Greenspan's controversial testimony regarding Social Security, his comments on a different issue caught my attention. While testifying before the Senate Banking Committee on February 24, he mentioned that the two largest housing GSEs, Fannie Mae and Freddie Mac, have grown so large that they could threaten the foundation of the entire United States economy if risks are not properly managed. I know that Chairman Greenspan is normally reserved in discussing financial markets because he understands the power that his words hold with investors. Therefore, his assessment of the GSE situation alarmed me.

Greenspan's comments brought back painful memories of the 1990 Rhode Island banking crisis when fraud at the private deposit insurer resulted in the temporary closing of 45 financial institutions and the freezing of \$1.7 billion in customer deposits. Due to negligence and mismanagement, Rhode Islanders could not touch their assets for up to 36 days before the banks reopened, making it impossible for many families to pay their mortgages or rent, or to even buy food. The thought that more than a decade later, a similar crisis on a much broader scale could occur is cause for great concern.

Greenspan fears that many investors are under the false impression that GSEs are backed up by the full faith and credit of the United States. Well, because of this incorrect assumption, investors believe they can accept higher risks because the government will bail out GSEs if they are insolvent or default, as occurred in the 1980s. As Greenspan noted, GSEs now stand behind more than \$4 trillion of mortgages, and the government can ill afford such a bailout in the wake of a housing crisis or corporate mismanagement.

It appears as though the increased risks the GSEs have been taking on is not related to their primary operation of purchasing affordable housing loans in the secondary market. Rather, much of their risk comes from derivative investments in an effort to maximize profits for shareholders. Now, as we learned from Enron, complex derivative schemes may boost profits in the short term, but the long-run risks can be too difficult to manage.

Congress needs to approach this issue very seriously and take appropriate corrective steps before it is too late. It

is essential that we ensure that GSEs better manage risks without hampering their mission, which is to expand opportunities for home ownership and affordable rental housing. Among the options being discussed, we should be aware that if Fannie Mae and Freddie Mac are privatized or if debt caps limit the amount of mortgages that can be acquired, affordable housing is likely to be hurt the most because it is the least profitable part of the GSE business. Now, in addition, limited mortgage financing for home buyers could negatively affect the housing market by stunning growth.

In light of past financial problems and Greenspan's comments, I believe Congress should begin by considering oversight from an independent regulator with housing expertise. A strong regulator with a background in housing will ensure that home ownership opportunities continue to grow, while guarding against the potential of an Enron-like collapse that could devastate the United States' economy.

Mr. Speaker, I urge my colleagues in Congress to give this issue their immediate attention. We must act prudently and look at a range of options to ensure the solvency of Fannie Mae and Freddie Mac. We need to guarantee the mission of the GSEs is not compromised but, at the same time, ensure proper oversight and ethical behavior. Fannie Mae and Freddie Mac must continue to bring the American dream to as many people as possible while we strive to reduce the risk of fraud of a GSE derailing the United States economy.

Mr. Speaker, I look forward to working with my colleagues to address this important issue before it is too late.

ANNOUNCEMENT OF MEMBERS AVAILABLE TO SERVE ON INVESTIGATIVE SUBCOMMITTEES OF THE COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT FOR THE 108TH CONGRESS

The SPEAKER pro tempore. Pursuant to clause 5(a)(4)(A) of rule X, and the order of the House of December 8, 2003, the Chair announces that the Speaker named the following Members of the House to be available to serve on investigative subcommittees of the Committee on Standards of Official Conduct for the 108th Congress:

Mr. DOOLITTLE, California;
Mr. SAM JOHNSON, Texas;
Mr. LINCOLN DIAZ-BALART, Florida;
Mr. ENGLISH, Pennsylvania;
Mr. SHADEGG, Arizona;
Mr. BRADY, Texas;
Mr. SIMPSON, Idaho;
Mr. TERRY, Nebraska;
Mr. KIRK, Illinois;
Mr. REHBERG, Montana.

COMMUNICATION FROM THE HON. NANCY PELOSI, DEMOCRATIC LEADER

The SPEAKER pro tempore laid before the House the following commu-

nication from the Honorable NANCY PELOSI, Democratic Leader:

U.S. HOUSE OF REPRESENTATIVES,
OFFICE OF THE DEMOCRATIC LEADER,
Washington, DC, March 18, 2004.

Hon. J. DENNIS HASTERT,
Speaker, U.S. House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Pursuant to clause 5(a)(4)(A) of rule X of the Rules of the House of Representatives I designate the following Members to be available for service on an investigative subcommittee of the Committee on Standards of Official Conduct:

Mr. Becerra of California; Mr. Cooper of Tennessee; Mr. Delahunt of Massachusetts; Mrs. McCarthy of New York; Mr. McIntyre of North Carolina; Mr. McNulty of New York; Mr. Schiff of California; Mr. Scott of Virginia; Mr. Stupak of Michigan; and Mrs. Tauscher of California.

Sincerely,

NANCY PELOSI,
Democratic Leader.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

(Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

ORDER OF BUSINESS

Mr. WILSON of South Carolina. Mr. Speaker, I ask unanimous consent to take my Special Order at this time.

The SPEAKER pro tempore (Mr. BRADLEY of New Hampshire). Is there objection to the request of the gentleman from South Carolina?

There was no objection.

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DEMOCRATIC LEADER SHOULD APOLOGIZE FOR INSULTING NATIONAL GUARD SERVICE

The SPEAKER pro tempore (Mr. BRADLEY of New Hampshire). Under a previous order of the House, the gentleman from South Carolina (Mr. WILSON) is recognized for 5 minutes.

Mr. WILSON of South Carolina. Mr. Speaker, I am profoundly disappointed in some of the rhetoric from Democrats in this election year debate. As we have all heard a few weeks ago, Terry McAulliffe, the chairman of the Democratic National Committee, said that President Bush had served in the National Guard but, quote, "never served in our military and our country," end of quote.

This is a double slander of the President and the National Guard. To imply that the National Guard is not a military service, Chairman McAulliffe dismisses the sacrifices of tens of thousands of National Guardsmen and women presently serving, and is a slap to the face of their service and their families.

As a retired National Guard member myself with 31 years service, with two sons in the Guard, one of whom was deployed to Iraq this week, America deserves an apology and the Democrats should find better leadership.